UNITED STATES PATENT AND TRADEMARK OFFICE
Trademark Trial and Appeal Board
2900 Crystal Drive
Arlington, Virginia 22202-3513

KKR/GFR

Opposition No. 115,931

Central Mfg. Inc.

v.

Third Millenium Technology, Inc.

Before Cissel, Quinn, and Rogers, Administrative Trademark Judges.

By the Board.

This case now comes up for consideration of applicant's March 20, 2000 motion to dismiss on the ground that opposer improperly obtained extensions of the opposition period and, therefore, the notice of opposition should not be considered timely filed. Opposer has not filed any response to applicant's motion to dismiss. Trademark Rule 2.127(a) provides that when a party fails to file a brief in response to a motion, the motion may be treated as conceded. Accordingly, in this case it is appropriate to treat applicant's motion to dismiss as conceded. However, insofar as the motion alleges that "[o]pposer made material misrepresentations" to the Board when requesting extension of the opposition period, we also find it appropriate to

consider the question whether opposer should be subjected to a sanction under Rule 11 of the Federal Rules of Civil Procedure and/or the Board's inherent authority. It is in regard to this latter consideration that we shall briefly review the history of this proceeding.

Procedural Background

The involved application was published for opposition on June 29, 1999. Opposer Central Mfg. Inc., a Delaware corporation acting through its president, Leo Stoller, filed four requests to extend its time to oppose the involved application.[1] In the motion to dismiss, applicant does not dispute the Board's approval of opposer's first two extension requests, which resulted in extension of the opposition period until October 27, 1999. Rather, applicant focuses on opposer's third and fourth extension requests.

The Board approved the third and fourth extension requests in accordance with Trademark Rule 2.102(c), because opposer stated in the caption of each request that applicant "agreed" to the proposed extension of time and because opposer affirmatively represented in each request that the parties were engaged in settlement discussions.[2]

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[1] Application Serial No. 74/492,793. Opposer's requests to extend time to oppose were filed on July 20, 1999; July 26, 1999; August 3, 1999; and November 15, 1999.

[2] On September 1, 1999, the Board issued an action that expressly approved the third extension request, notified opposer that the Board would not extend the time for filing a notice of opposition

On January 6, 2000, opposer Central Mfg. Inc. filed its notice of opposition to the registration of applicant's mark, which commenced this proceeding within the extended opposition period. Consequently, the Board issued an order, on February 7, 2000, formally instituting this opposition and naming Central Mfg. Inc. as the opposer [plaintiff].

Presumably before applicant received its copies of the Board's institution order and the notice of opposition, applicant on February 22, 2000 filed a request that the Board refuse to grant any further extensions of time to oppose.[3] In this request, applicant contends that:

> ". . . the assertions concerning settlement negotiations made by the potential opposer have no basis in fact, and appear to be made solely for the purpose of delaying registration of applicant's mark.
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> In fact, there are no negotiations of any kind or discussions between the applicant herein and the potential opposer, Central Mfg. [sic]; to the contrary, the applicant has refused and continues to refuse to enter into any negotiations or discussions with the potential opposer."

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for an inordinate period, allowed opposer until November 26, 1999 to file its notice of opposition, and indicated that opposer could file a further request to extend time if settlement had not concluded by that date. The fourth extension request, filed within the time permitted by the Board's September 1, 1999 action, was separately granted by the Board on November 18, 1999, and extended the deadline for opposition until February 24, 2000.

[3] Because applicant's February 22, 2000 filing does not include proof of service of a copy thereof on opposer, a copy is forwarded to opposer with its copy of this order.

Inasmuch as opposer filed its last extension request on November 15, 1999, the February 22, 2000 request to deny additional extensions of time to oppose is moot.[4]

On January 31, 2000, opposer's president filed a proposed amended notice of opposition in his own name, specifically listing "Leo Stoller dba Central Mfg." as opposer. Because it was not associated with the Board's file for this proceeding until after issuance of the institution order, the proposed pleading was not previously considered. The proposed amended notice of opposition is nearly identical to the original notice of opposition and appears to be nothing more than an attempt to substitute "Leo Stoller dba Central Mfg." for "Central Mfg. Inc." as party plaintiff herein. Therefore, the "amended" notice is, in essence, a motion to substitute. The motion is moot, however, because we are dismissing this proceeding.[5]

Opposer's Alleged Misconduct

We now turn to the specific allegations regarding opposer's conduct made in applicant's motion to dismiss and/or the accompanying affidavit of applicant's vice

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[4] Had applicant promptly filed written objections, the Board might have been able to consider such objections prior to institution of this proceeding. See TBMP §§210 and 211.01.

[5] Also moot is applicant's request for issuance of an expedited registration. Moreover, since applicant's application is based on the intent-to-use provisions of the Lanham Act, a Notice of Allowance, not a registration, will issue in due course, following dismissal of this proceeding.

president of finance, James Busby. Applicant maintains that opposer's third and fourth extension requests were based on false allegations and material misrepresentations of fact. Applicant rejects as untrue the representation made in opposer's third and fourth extension requests that applicant "agreed" to each, denies that the parties were ever engaged in bilateral settlement negotiations, and denies the allegation in each request that applicant invited opposer to proffer a settlement proposal.[6] Further, applicant asserts that, rather than engage in legitimate settlement negotiations, "opposer was engaged in delaying issuance of applicant's registration to force applicant to pay money to opposer in exchange for allowing applicant's registration to issue."

Applicant has shown that opposer sent three letters to applicant -- two prior to opposer's filing of the notice of opposition and one shortly thereafter -- and applicant maintains that opposer, through those letters, attempted to coerce applicant into taking a license or abandoning applicant's application. Moreover, applicant contends that opposer's third letter contains a number of exaggerations, threatens that the opposition proceeding will be prolonged and costly, and threatens that applicant's business will be

[6] To support these contentions, applicant relies on the Busby affidavit, with exhibits.

financially ruined if applicant does not capitulate. These letters, applicant contends, support applicant's assertion that the parties were not engaged in bilateral settlement negotiations.[7] Finally, applicant asserts that it did not respond to any of opposer's letters. Opposer, not having responded to the motion to dismiss, has not contested any of applicant's contentions.

Inasmuch as applicant has shown that it was not discussing settlement with opposer and did not agree to the proposed extensions, applicant has refuted the representations of fact made by opposer in its third and fourth requests to extend the opposition period. Thus, it is clear that these two extension requests were based on untruths and were filed in bad faith for the improper purpose of obtaining a benefit from the Board to which opposer was not entitled.

Rule 11 of the Federal Rules of Civil Procedure states, in pertinent part, as follows:

> **(b) Representations to Court.** By presenting to the court (whether by signing, filing, submitting, or later advocating) a pleading, written motion, or other paper, an attorney or unrepresented party is certifying that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances, --
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> (1) it is not being presented for any improper purpose, such as to harass or to cause

[7] The letters are on opposer's letterhead, signed by "Leo Stoller, Agent."

> unnecessary delay or needless increase in the cost of litigation;
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> ...
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> **(c) Sanctions.** If, after notice and a reasonable opportunity to respond, the court determines that subdivision (b) has been violated, the court may, subject to the conditions stated below, impose an appropriate sanction upon the ... parties that have violated subdivision (b) or are responsible for the violation.
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> **(1) How Initiated. ...**
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> **(B) On Court's Initiative.** On its own initiative, the court may enter an order describing the specific conduct that appears to violate subdivision (b) and directing [a] ... party to show cause why it has not violated subdivision (b) with respect thereto.

The quoted provisions of Federal Rule 11 apply to pleadings, motions, and other papers filed in inter partes proceedings before the Board. See Trademark Rule 2.116(a) and authorities cited in TBMP §529.01. Moreover, in considering whether the conduct of a party relating to the filing of a notice of opposition is sanctionable, either under Rule 11 or the Board's inherent authority, the Board will consider not only the notice of opposition itself, but also the requests to extend the time to oppose, which obviously affect the timeliness of the notice of opposition.[8]

[8] The Supreme Court has held that bad faith is not limited to instances in which a complaint is filed in bad faith, but that conduct in the course of litigation may also constitute bad faith. *Hall v. Cole*, 412 U.S. 1, 15, 93 S.Ct. 1943, 36 L.Ed.2d 702 (1973).

When sanctionable conduct is found, although the Board does not impose monetary sanctions or award attorneys' fees or other expenses,[9] the Board has authority to enter other appropriate sanctions, up to and including the entry of judgment. See Trademark Rule §2.116(a) and authorities cited in TBMP §529.01. If the Board finds that a party has violated Rule 11, the Board may impose an appropriate sanction. See Fed. R. Civ. P. 11, and *Giant Food, Inc. v. Standard Terry Mills, Inc.*, 231 USPQ 626 (TTAB 1986). Further, it is clear that Rule 11 does not displace the Board's inherent authority to sanction bad-faith conduct. See *Chambers v. NASCO, Inc.*, 501 U.S. 32, 111 S.Ct. 2123, 115 L.Ed.2d 27, rehearing denied, 501 U.S. 1269, 112 S.Ct. 12, 115 L.Ed.2d 1097 (1991). See also, *United States v. International Brotherhood of Teamsters*, 948 F.2d 1338, 1345 (2d Cir. 1991), citing *Chambers*, 501 U.S. at 49 (A court's inherent power to sanction those before it "stems from the very nature of courts and their need to be able to manage their own affairs so as to achieve the orderly and expeditious disposition of the cases.").

One of the predominant purposes for entering a Rule 11 sanction is to deter further wrongdoing. See authorities collected in Wright & Miller, *Federal Practice and*

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[9] See Trademark Rules 2.120(f), 2.120(g)(1), 2.120(h) and 2.127(f), and TBMP §502.06.

Procedure: Civil 2d §1336 (1990; 2001 supplement). The Board has discretion to tailor sanctions appropriate to the violations and may consider any measure designed to serve this purpose. *Id.*; See also, *Electronic Industries Association v. Potega*, 50 USPQ2d 1775 (TTAB 1999); and authorities discussed in Alan S. Cooper, *Managing the Board's Increasing Workload: The Creative Use of Sanctions*, 88 Trademark Rep. 43 (1998). These principles are equally applicable when the Board employs its inherent authority to sanction bad-faith conduct.

The authority to sanction a pro se party is manifestly clear, and the Supreme Court has held that the Rule 11 certification standard for a party is the same as that for an attorney. *Business Guides, Inc. v. Chromatic Communications Enterprises, Inc.*, 498 U.S. 533, 547, 111 S.Ct. 922, 112 L.Ed.2d 1140 (1991); see also, Patent and Trademark Rule 10.18(b). Moreover, the drafters of Rule 11 clearly stated that any "sanction should be imposed on the persons -- whether attorneys, law firms, or parties -- who have violated the rule or who may be determined to be responsible for the violation." Fed. R. Civ. P. 11 advisory committee's note on 1993 revisions to subdivisions (b) and (c). See also, *Business Guides*, 498 U.S. at 546-47:

> We held in Pavelic & LeFlore that Rule 11 contemplates sanctions against the particular individual who signs his or her name, not against the law firm of which that individual is a member,

> because "the purpose of Rule 11 as a whole is to bring home to the individual signer his personal, nondelegable responsibility . . . to validate the truth and legal reasonableness of the papers filed." 493 U.S. at 126. This is entirely consistent with our decision here that a represented party who signs his or her name bears a personal, nondelegable responsibility to certify the truth and reasonableness of the document.

The Supreme Court, however, did not squarely address the question whether, when an officer of a corporation signs a paper on behalf of the corporation, both the corporate party and the individual officer that signs the document may be held jointly or severally liable for any violation of Rule 11. See *Business Guides*, 498 U.S. at 547-48, wherein the dissent criticized the majority for treating the signature of the president of a corporation as made by the party rather than the individual; the majority pointed out that question was not raised in the proceeding below.

At least one court has held that, under Rule 11, an individual who is not himself a party but signs a document as an officer of a corporation cannot himself be held liable, because Rule 11 applies only to parties and attorneys of record, and that such a proposition does not run counter to *Business Guides*. See *Leventhal v. New Valley Corp.*, 148 F.R.D. 109, 112 (S.D.N.Y. 1993).

The *Leventhal* court's distinction regarding Rule 11 does not, however, mean that an individual officer of a corporate party can avoid any personal liability for

deliberate misrepresentations. The *Leventhal* court recognized the Supreme Court's reaffirmation of the inherent power to sanction bad-faith conduct:

> The Supreme Court has recently said that the trial court's inherent power to impose sanctions for bad-faith conduct is 'broader and narrower than other means of imposing sanctions,' and 'must continue to exist to fill the interstices.' Chambers v. NASCO [citations omitted].
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> *Leventhal*, 148 F.R.D. at 111.

In *Chambers*, the Supreme Court also stated:

> There is ... nothing in the other sanctioning mechanisms or prior cases interpreting them that warrants a conclusion that a federal court may not, as a matter of law, resort to its inherent power to impose attorney's fees as a sanction for bad-faith conduct. This is plainly the case where the conduct at issue is not covered by one of the sanctioning provisions. ... If in the informed discretion of the court, neither the statute nor the Rules are up to the task, the court may safely rely on its inherent power.
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> *Chambers*, 501 U.S. at 50.

In this case, Leo Stoller, as the only individual to sign any paper on behalf of opposer Central Mfg. Inc., is solely responsible for the misrepresentations included in the requests to extend the opposition period. While it is unclear under *Business Guides* whether Leo Stoller, as an individual, is subject to sanction under Rule 11, we need not decide the question. It is clear that he is subject to sanction under the Board's inherent authority to sanction bad-faith conduct.

By signing and filing the August 3, 1999 and November 15, 1999 extension requests for opposer, with their included misrepresentations, Leo Stoller acted in bad faith and for improper purposes, i.e., to obtain additional time to harass applicant, to obtain unwarranted extensions of the opposition period, and to waste resources of applicant and the Board. Furthermore, we note that this Board has previously sanctioned another corporation headed by Leo Stoller for precisely this type of conduct, i.e., for making misrepresentations regarding the existence of settlement negotiations between one of his corporations and an applicant.[10] See *S Industries, Inc. v. S & W Sign Company, Inc. d/b/a Westview Instruments* (Opposition No. 102,907, Dec. 16, 1999). See also, *S. Industries Inc. v. Lamb-Weston Inc.*, 45 USPQ2d 1293 (TTAB 1997), wherein petitioner's certificate of mailing on a motion to extend was found to be fraudulent. The Board cannot ignore its past experience with Leo Stoller and considers the bad-faith actions taken in this case against that backdrop. See *In re Itel*

[10] Leo Stoller and his various corporations are regularly before the Board and courts. See *S Industries Inc. v. Lamb-Weston, Inc.*, 45 USPQ2d 1293 (TTAB 1997) (petitioner's motion to extend based on report that its president, i.e., Leo Stoller, was involved in numerous other proceedings before the Board). See also *S Industries, Inc. v. Hobbico, Inc.*, 940 F. Supp. 210 (N.D.Ill. 1996) ("S Industries, Inc. ('S') appears to have entered into a new industry - that of instituting federal litigation. …[A]nd this court has had occasion to note a proliferation of other actions brought by S….").

Securities Litigation, 596 F.Supp. 226, 235 (D.C.Cal. 1984), *affirmed* 791 F.2d 672 (9th Cir. 1986) (District court considered offending counsel's "history in this type of litigation"). See also, *U.S. v. Barker*, 182 F.R.D. 661 (D.C.Ga. 1998).

One district court, in explaining why it would, upon submission of any further improper filings, sanction an individual appearing without counsel, stated that a court's "[o]pinions cannot only be perceived as decisions adjudicating legal problems but must also be recognized as instructive orders, that, if followed, will assist a party in future situations. A parent does not necessarily mediate arguments between his or her young children to simply quell them, but also to teach the children in the hope that they will gain a life lesson." *Mpounas v. U.S.*, 28 F.Supp.2d 856, 860-61 (S.D.N.Y. 1998). The *Mpounas* court also noted that the petitioner had not benefited from the instruction the court had provided in prior opinions, noted that pro se litigants have a greater capacity than others to disrupt the fair allocation of judicial resources, and observed that the court could utilize its "inherent powers to protect its jurisdiction from such vexatious conduct." *Mpounas*, 28 F.Supp.2d at 861.

We find that Leo Stoller has, in this case, twice filed papers based on false statements and material

misrepresentations and, moreover, that he has engaged in a pattern of submitting such filings to this Board. We are not optimistic that Leo Stoller can be discouraged from submitting further bad-faith filings unless we impose a sanction. Regardless of whether Leo Stoller can be sanctioned under Rule 11, this is precisely the type of situation in which the exercise of inherent authority to sanction is appropriate. *Chambers*, 501 U.S. at 50.

Accordingly, we find it appropriate to sanction Leo Stoller under the Board's inherent authority. So as to tailor the sanction to the type of bad-faith conduct evidenced in this case, the sanction we impose is related to the filing of requests to extend the time to oppose a mark in a published application. Leo Stoller is hereby required, for any request for an extension of an opposition period in which it is alleged that the requested extension is on consent or has been agreed to or in which there is any allegation of any type of settlement discussion, to include written agreement from the applicant to the truth of the allegation. Such agreement shall be evidenced by the signature of the relevant applicant or, if represented, of its counsel. "The Supreme Court and numerous courts of appeals have recognized that courts may resort to restrictive measures that except from normally available procedures litigants who have abused their litigation

opportunities." *In re Martin-Trigona*, 9 F.3d 226, 228 (2d Cir. 1993). The sanction applies whenever Leo Stoller signs a covered extension request[11], whether on his own behalf or as officer of one of his corporations. The sanction is effective for one year from the date of this order.

As noted at the outset of this order, applicant's motion to dismiss is granted as conceded and the opposition is dismissed with prejudice. The application, based on the intent-to-use provisions of the Trademark Act, shall be released for further appropriate processing and a Notice of Allowance shall issue in due course.

[11] Any such extension request that does not include an allegation that it is on consent or has been agreed to or does not include a report of settlement negotiations would not be covered by this order. However, any extension request that does include any one of these allegations is a covered request, and is subject to this order, regardless of whether it is the first or a subsequent request. In other words, it is the content of the request and not the time of filing that makes it subject to the sanction.